

HURRICANES AND THE INSURANCE INDUSTRY – ANOTHER PROSPECTIVE

By Peter H. Bickford

It was with a mixture of pride and sadness that I watched the accuracy of the forecasting of the course of Hurricane Isabel a few weeks ago. The pride was from knowing that in a small way the insurance industry helped make this forecasting successful, and sad with the knowledge that this industry support was discontinued.

In August, 1997 a non-profit organization was established with twenty-five members from the insurance and reinsurance industry. This organization, the Insurance Friends of the National Hurricane Center, was dedicated to enhancing the timely and accurate forecasting of tropical storms and the communication of those forecasts to the public and to the insurance industry. The creation of the “Insurance Friends” was spearheaded by George Ramsdell, the retired Senior Vice President and Chief Underwriting Officer of the Continental Insurance Company, with significant help from Had Talbot, a Managing Director of Guy Carpenter. Through their efforts, a close relationship was established with the National Hurricane Center and with the International Hurricane Center at Florida International University. Funds raised by Insurance Friends from insurers and reinsurers were used to support projects beneficial to the National Hurricane Center that could not be funded through public monies. One of the more significant projects funded by Insurance Friends was to develop enhancements to the web capabilities of the National Hurricane Center thus improving the access to information for the Hurricane Center and the insurance industry. As the insurance industry well knows, enhanced communication is always critical in responding to hurricanes and in assessing potential losses.

Another significant project funded by Insurance Friends was the re-analysis of the National Hurricane Center’s North Atlantic Data Base (HURDAT). This re-analysis extended the National Hurricane Center’s tracks of tropic storms and hurricanes back into the mid-1800’s, thus greatly improving the historical record used by many of the computer models for forecasting

hurricane tracks. It also laid the foundation for new models that enabled the National Hurricane Center to issue five-day track forecasts for the first time this year rather than the limited three-day forecasts in the past.

Unfortunately, following 9/11 the insurance and reinsurance industry's support for Insurance Friends waned, as their focus was drawn away from this discretionary spending. As a result, Insurance Friends was shut down at the end of last year, but not without first providing seed money for some additional projects in the area of storm intensity, including wind and rainfall projections which are also significant factors in preparing for the threat of such storms.

As counsel to Insurance Friends and as member of its Advisory Board, it was a pleasure to have met and worked with Max Mayfield, the present Director of the National Hurricane Center, his predecessor, Jerry Jarrell, Steve Leatherman, the Chair of the Florida International University's International Hurricane Center, Bob Sheets, a former Director of the National Hurricane Center and a member of the Advisory Board, and in particular, Messrs. Ramsdell and Talbot who made a lot happen with relatively few bucks.

As Max Mayfield, the current Director of the National Hurricane Center, stated in a letter to Insurance Friends in Mid-2001, "I express my sincere thanks to the IFNHC for its support. I believe that this is an outstanding example of how a public/private partnership should work." Unfortunately – with a few exceptions – it was not possible to convince the industry as a whole, including insurers, reinsurers, brokers, intermediaries and modelers of the significant benefit to them and to their customers from the small investment of time and money sought by Insurance Friends. Perhaps there are some out there who could put aside their competitive instincts to revive this relationship with the National Hurricane Center in the future. Otherwise Insurance Friends' legacy will be limited to the small but significant help it provided in the past.

Like Camelot, Insurance Friends was bright shining star for a brief period of time, yet its impact on the forecasting and communications with respect to tropical storms and hurricanes should be felt for some time.

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